

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

IN RE: CITY OF DETROIT, Docket No. 13-53846
MICHIGAN,
Debtor. Detroit, Michigan
. December 15, 2014
. 10:00 a.m.

HEARING RE. (#8272) STATUS CONFERENCE RE. ORDER
CONFIRMATION EIGHTH AMENDED PLAN FOR THE ADJUSTMENT OF DEBTS
OF THE CITY OF DETROIT; (#7581) MOTION TO FILE LATE CLAIM
BEFORE THE HONORABLE STEVEN W. RHODES
UNITED STATES BANKRUPTCY COURT JUDGE

APPEARANCES:

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1 THE CLERK: All rise. Court is in session. Please
2 be seated. Case Number 13-53846, City of Detroit, Michigan.

3 THE COURT: Good morning.

4 MR. ELLMAN: Good morning, your Honor. Jeffrey
5 Ellman from Jones Day on behalf of the city. We're here on a
6 status conference, and there are a couple of items before the
7 Court today. I guess I would defer to your Honor how you'd
8 like to proceed and what you'd like to cover today in what
9 order.

10 THE COURT: I think I'd first like to set the
11 procedure to close out the issue of the disclosure and
12 reasonableness of fees.

13 MR. ELLMAN: Okay, your Honor.

14 THE COURT: I had suggested to you all a proposed
15 order. It struck me that the only addition to that proposed
16 order that would be necessary perhaps even at the very
17 beginning of it is a date by which the city would make a full
18 and final disclosure of the fees as required. Do you have
19 any comments regarding this order?

20 MR. ELLMAN: Well, your Honor, I think the process
21 at the end of the day is obviously up to the Court. I think
22 our view of this, since this order was presented some things
23 have happened, the main one of which is the completion of a
24 mediation which was conducted here on the 3rd and 4th, and I
25 think there was a subsequent day after that. Our view of

1 this order, I think, is that there has been a rigorous
2 process with the fee examiner. There has now been a fully
3 vetted mediation that I believe has led to resolution of the
4 issues among the parties that the city participated in
5 through the mayor, and obviously the mediators were very
6 instrumental, and the fee examiner participated. We've had
7 numerous opportunities for parties to participate through the
8 confirmation process. It is ultimately a confirmation issue,
9 and, of course, the fee reports have been filed routinely.
10 And your Honor has put in place a procedure to expedite the
11 review of fees through at least September and the filing of
12 these through November, December, so the only thing I would
13 say about this order is it doesn't seem to me that we need
14 more parties to comment. I do think that it is appropriate
15 for your Honor to review what has happened and to review the
16 settlements and review the reports of the fee examiner, and
17 there should be a procedure to do that. How your Honor would
18 like to do that obviously is up to the Court because the
19 Court needs to feel comfortable that the settlements are
20 appropriate, that the fees have been disclosed, so our only
21 real comment on this process I think is that I think that can
22 be somewhat expedited in the sense that the mediation is
23 concluded and I believe has resolved the issues with respect
24 to all the professionals who were participants in that.

25 | THE COURT: All right. Thank you.

1 MR. HOLLOWELL: Good morning, your Honor. Melvin
2 Butch Hollowell, corporation counsel. I agree with Mr.
3 Ellman, and it was -- I wanted to thank Judge Rosen for the
4 mediation process. We do believe the Bankruptcy Code
5 requires the disclosure of the fees and expenses, and then
6 this Court -- we would then put it in a report and just file
7 it with your Honor for the determination as to whether or not
8 the fees are reasonable. We do believe that we've come up
9 with a resolution of all the claims. It certainly is within
10 your Honor's discretion as to whether or not it would be
11 opened up for comment and whatever reasonable period of
12 comment that that would be. I would ask that, though, in the
13 procedure that's outlined for this reasonableness
14 determination that we get all of the professionals to submit
15 their final invoices through the stub period through December
16 10, the confirmation date, and that would help greatly in
17 making sure --

18 THE COURT: The effective date?

19 MR. HOLLOWELL: The effective date, so that we can
20 make sure that all the I's are dotted and the T's are
21 crossed.

22 THE COURT: So you foresee getting final statements
23 from the professionals and then submitting a report to the
24 Court?

25 MR. HOLLOWELL: I think that would be best because

1 then it would be all-inclusive, Judge.

2 THE COURT: Um-hmm. Okay. So what dates for that
3 would you suggest?

4 MR. HOLLOWELL: Well, I would say, again, if we
5 could get a -- you know, within a week maybe of today of the
6 final invoices through the effective date, and then we can
7 reconcile that with the settlements that we've reached in
8 each one of the cases and then have a report prepared for
9 your Honor within five days of that. The report is largely
10 prepared. We just need to plug in the numbers and make
11 sure --

12 THE COURT: Right.

13 MR. HOLLOWELL: -- that the numbers are right.

14 THE COURT: Okay. Mr. Ellman, do you have any
15 objection to that?

16 MR. ELLMAN: I don't have an objection to filing our
17 final bill through the effective date in the next week or so.
18 The only thing I will just point out, depending on what we
19 consider a final bill, there are expenses that invoices come
20 in that we have to pay over time. They don't always come in
21 immediately on the date that -- as of a certain date, so --

22 THE COURT: Well, perhaps you can estimate them as
23 best you can.

24 MR. ELLMAN: So we will just have to reserve our
25 right to deal with that issue because we can't really control

1 that, but other than that, I think it would be appropriate
2 for us to get those bills submitted.

3 THE COURT: Would anyone in the courtroom like to
4 address Mr. Hollowell's suggestion? All right. In the
5 circumstances then, I will enter an order requiring final fee
6 and expense statements to be submitted to the city within
7 seven days and for the city to file its final disclosure of
8 the fees within five days after that. I think what I'll do
9 then is have a look at what is submitted and then determine
10 what further process is required to determine reasonableness.

11 MR. HOLLOWELL: Your Honor --

12 THE COURT: Sir.

13 MR. HOLLOWELL: -- if I may also -- I would assume
14 that the confidentiality order as it relates to mediation is
15 still in place --

16 THE COURT: Yes.

17 MR. HOLLOWELL: -- and that there should not be any
18 discussion as to what is in that whatsoever. Wanted to
19 confirm that with the Court.

20 THE COURT: Right. Absolutely.

21 MR. HOLLOWELL: Thank you, Judge.

22 THE COURT: All right. Let's move on then --

23 MR. ELLMAN: With that, your Honor -- I'm sorry.
24 Jeffrey Ellman again. Just so I understand, the final report
25 that'll be filed, is it the intention of the Court that the

1 settlements that were achieved in mediation will be somehow
2 submitted? I realize they are subject to a mediation order.
3 We have not disclosed certainly ours to anyone. They have
4 been filed.

5 THE COURT: Well, the results of the mediation,
6 which are subject to court approval, do have to be disclosed.

7 MR. ELLMAN: And is that the intention that this
8 will be in the report that --

9 THE COURT: Yes.

10 MR. ELLMAN: -- is to be filed?

11 THE COURT: Yes, not the discussions that led up to
12 them or the considerations that led up to them, but the
13 results of the mediation are subject to court approval.

14 MR. ELLMAN: Fair enough. I just wanted to make
15 sure --

16 THE COURT: All right. Thank you for clarifying
17 that.

18 MR. ELLMAN: -- that was appropriate. Thank you.

19 MR. RAIMI: Charles Raimi. Just one point of
20 clarification on the numbers. So that will be a list, firms,
21 fees, expenses.

22 THE COURT: Yes.

23 MR. RAIMI: Okay.

24 THE COURT: All of the firms whose fees have been
25 required to be paid by the city, including those for the

1 pension plans which the Court previously ruled on, would be
2 included in this. Okay? It also includes the fee examiner
3 and the court-appointed expert.

4 Now, Mr. Ellman, you had discussed briefly before
5 issues regarding estimations of claims in Class 14. Can you
6 bring me up to date on what the latest is with that?

7 MR. ELLMAN: I can, your Honor, yes. We have a
8 motion that we are in very good shape, I would say, in
9 preparing. The open issue is the detailed estimates by
10 claim, which we've been working with the city law department
11 on, primarily because the largest group of these claims are,
12 in fact, the litigation-related claims that were subject to
13 the ADR process and the settlement process. A number of
14 these matters the stay has been lifted. So I would say we
15 have from the city now -- it's a very large project, I think,
16 to go through these claims and to get them organized, but I
17 would say from the city we have the substantial majority of
18 the information we need. We were looking at this last week,
19 and it looks like there's still some follow-up on a small
20 number -- a moderate number, I would say, of claims we will
21 need to confirm the appropriate treatment. My belief is --
22 in the plan is to have something filed before Christmas so
23 the Court can consider that early in the new year and we can
24 move forward with the distributions.

25 THE COURT: Okay. Thank you. If there will be any

1 change in that, could you please let my office know?

2 MR. ELLMAN: I will certainly do that, yes.

3 THE COURT: All right. It's been announced that the
4 plan did become effective. Is there anything else in regard
5 to plan implementation to put on the record at this time?

6 MR. ELLMAN: Not unless the Court has questions. We
7 did become -- we did go effective, as the Court is well
8 aware, and there are certainly some post-closing items that
9 are being addressed but nothing that we believe is necessary
10 for the Court to consider today.

11 THE COURT: Okay. No. I don't have any questions.

12 MR. ELLMAN: Okay. Thank you.

13 THE COURT: We do have the motion for abstention
14 that was filed on behalf of AFSCME and the coalition of
15 Detroit unions.

16 MR. ELLMAN: Correct.

17 THE COURT: Has the city responded to that motion
18 yet?

19 MR. ELLMAN: No. Responses are due tomorrow. We
20 will file a response either late today or first thing
21 tomorrow is our plan. The hearing is on Wednesday. We do
22 intend to respond. We have a draft that is --

23 THE COURT: Okay.

24 MR. ELLMAN: -- the city is reviewing.

25 THE COURT: Since your response has not yet been

1 filed, it's unrealistic to go to a hearing on Wednesday --

2 MR. ELLMAN: Okay.

3 THE COURT: -- so we'll have to find a new date for
4 that.

5 MR. ELLMAN: Okay. I apologize, your Honor. This
6 was -- it was noticed for a response tomorrow, so we --

7 THE COURT: I know. I know.

8 MR. ELLMAN: We intended to file it early today,
9 but --

10 THE COURT: So I'll have to consult with my staff
11 and look at my schedule to come up with a new date. Is Mr.
12 Mack here? Can I have your attention for just a moment, sir?
13 Can the two of you just sort of -- or whoever tell me just
14 generally what your availability is in the next two or three
15 weeks? Are you around, or are there periods of time that we
16 should not consider for this hearing?

17 MR. MACK: If you'd give me one moment, your Honor.
18 Let me get my --

19 THE COURT: Sure.

20 MR. ELLMAN: Your Honor, from my perspective, I
21 believe the end of this week on Friday and probably the first
22 couple of days -- I don't have a calendar in front of me, but
23 I don't know when -- before Christmas Eve basically.

24 THE COURT: Okay.

25 MR. ELLMAN: But I don't have -- you know, I think

1 there's -- how about Monday, Tuesday next week perhaps?

2 THE COURT: I'll open up my calendar, and we'll see
3 here.

4 MR. MACK: Monday or Tuesday of next week works for
5 me as well, your Honor.

6 MR. ELLMAN: I think that does. If I'm permitted to
7 turn my device on, I can confirm it, but I believe it does.

8 THE COURT: All right. Well, why don't we schedule
9 it for next Monday, the 22nd, then? Is that okay?

10 MR. ELLMAN: I believe so, again, subject to
11 confirming my calendar.

12 THE COURT: Okay. What time suits you all?

13 MR. ELLMAN: Right. To the convenience of the
14 Court, yeah, any time.

15 MR. MACK: Ten o'clock works.

16 THE COURT: All right. Ten o'clock it is then. If
17 that time doesn't work for you, let us know, Mr. Ellman.

18 MR. ELLMAN: I don't know what the rules are.

19 THE COURT: Oh, yeah. You have it right there?

20 MR. ELLMAN: If I'm permitted to turn my device on,
21 I will --

22 THE COURT: Sure. Okay. Yeah. Go ahead.

23 MR. ELLMAN: I turn it off routinely.

24 THE COURT: Go ahead. Check it right now then.

25 MR. ELLMAN: Thank you.

1 MR. MACK: I apologize. I guess I presumed it was
2 okay to turn mine on, so -- didn't mean to make --

3 THE COURT: It is okay to turn them on. What's not
4 okay is for them to emit distracting sounds.

5 MR. ELLMAN: I hope it doesn't. So I presume, your
6 Honor, that filing our paper by tomorrow is still
7 acceptable --

8 THE COURT: Yes, yes, absolutely.

9 MR. ELLMAN: -- for that schedule. Okay. Well, my
10 device is now on, so if you'll give me one moment. Okay.
11 That's the 22nd.

12 THE COURT: Yes, please.

13 MR. ELLMAN: And that will be perfectly fine for my
14 calendar.

15 MR. MACK: That works.

16 MR. ELLMAN: Thank you.

17 THE COURT: Okay. See you then. Okay. Is there
18 anything that anyone else would like to bring up in terms of
19 status conference matters?

20 MR. ELLMAN: Well, I believe -- I don't know. Oh,
21 Ms. Barge is here. I believe we were going to talk about Ms.
22 Barge's claim again.

23 THE COURT: Yes.

24 MR. ELLMAN: I intended to get here early to speak
25 with her before the hearing, but the security line delayed me

1 a bit, so I haven't spoken to her today. We have
2 communicated with her by telephone and by letter from the
3 Retiree Committee. I don't know if you'd like me --

4 THE COURT: Would you like me to sit here for a
5 moment while you communicate with her off line?

6 MR. ELLMAN: Well, really the question ultimately
7 is -- the question we didn't get answered when we talked to
8 Ms. Barge is whether she was satisfied with the information
9 we provided. We did our best working with the --

10 THE COURT: Right.

11 MR. ELLMAN: -- Retirement Systems and the committee
12 and ourselves to answer as many questions as we could -- as
13 we could come up with answers for, and the question is
14 with --

15 THE COURT: Let me just sit here while you talk with
16 her, and you'll let me know when you're ready.

17 MR. ELLMAN: Okay. Thank you.

18 THE COURT: Sir.

19 MR. ELLMAN: Your Honor, Jeffrey Ellman again for
20 the city. I thank you for your patience in that delay. We
21 did spend some time talking to Ms. Barge obviously in the
22 other room. She is I think understandably upset with the
23 situation, but I think she does understand and I think she's
24 comfortable that her pension will continue at the level that
25 the plan provides. She has some concerns about the income

1 stabilization process, especially since she doesn't have tax
2 returns. Mr. Gallagher from Clark Hill on behalf of the
3 Retirement Systems was with me and explained to her how we
4 can help her with the information she'll need to submit to
5 the state. She already has submitted the forms, but there is
6 some additional follow-up, so we've committed to do that for
7 her. I know she also was particularly upset that the letter
8 that Ms. Neville sent her, not so much the content of it, but
9 was -- her name was misspelled on the letter, so we certainly
10 apologize for that, but beyond that I believe we've answered
11 her questions at this point, and she does not appear to wish
12 to address the Court, but she is still here if the Court has
13 questions.

14 THE COURT: Okay. Ms. Barge, is there anything
15 you'd like to say to the Court at this time?

16 MS. BARGE: Good morning. Good morning, your Honor.
17 And I just want to briefly say I thank you for letting me
18 have a voice, and I didn't want to not appear today and
19 disrespect you, and that's the main reason I'm here today.

20 THE COURT: Okay.

21 MS. BARGE: Now, I'm not totally satisfied with
22 everything, but the attorneys did write me an extensive
23 letter and explained it, and I do understand it.

24 THE COURT: Okay.

25 MS. BARGE: But I just wanted to say thank you so

1 much.

2 THE COURT: Well, you're welcome.

3 MS. BARGE: All right now.

4 THE COURT: Anything further for today then?

5 MR. ELLMAN: No, your Honor. Thank you.

6 THE COURT: All right. We're in recess.

7 THE CLERK: All rise. Court is adjourned.

8 (Proceedings concluded at 10:24 a.m.)

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WITNESSES:

None

EXHIBITS:

None

I certify that the foregoing is a correct transcript from the sound recording of the proceedings in the above-entitled matter.

/s/ Lois Garrett

December 21, 2014

Lois Garrett